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BOOK REVIEWS AND NOTICES

War Finance. By J. S. NICHOLSON. London: P. S. King & Son, 1917. Pp. xxiv+480. 10s. 6d.

The present volume is a collection of papers, originally published in several journals (the *Quarterly Review*, the *Economic Journal*, the *Journal of the Royal Statistical Society*, the *Scottish Historical Review*, the *New York Annalist*, and the *Scotsman*), on the subject of Great Britain's financial policies during the first three years of the Great War. Illustrations from the earlier financial history of Great Britain and from the war measures of the Central Powers are introduced, principally to demonstrate the effects of inflation; but in the main the discussion is confined to a consideration of the defects of British financial policy in war time.

The author, writing during a period "when complaints were common of the suppression of the real freedom of the Press," expresses a sharp and vigorous criticism of the "careless opportunism" of the Treasury policies, particularly with regard to the issue of imperfectly convertible currency, which, on account of the resultant inflation, he apparently regards as one of the most serious errors of the war. In the Preface his contention is stated as follows:

In the actual conduct of the War we have acknowledged and amended great mistakes: witness the Dardenelles and Mesopotamia. In diplomacy also we erred, repented, and reformed. . . . But in regard to our economic and financial policy no mistakes are admitted. We speak with the complacency of a heathenish Turk of war prices and war extravagance and *backsheesh* as if they had been inevitable. . . . Deluded by glowing estimates of the money value of the British Empire, we have neglected not only economic principles, but elementary rules of sound business.

And again:

These apparent signs of financial strength—the increase in national income, the rise in wages and in profits, the growth in public expenditure of all kinds—these signs of prosperity, when properly interpreted, are not signs of vigor and strength, but of weakness. . . . A disease is none the less a disease if called by another name. . . . Inflation is a word with unpleasing associations—it suggests contributory negligence on the part of the sufferer. . . . But where does the borrowed money come from? If it is not old

money, it must be new money—new money manufactured to meet the expenses of the War. . . . Those who deny inflation must explain how else the money, i.e., the spending power of the State, is obtained.

The great and continuous rise in prices is to be explained as a result of inflation rather than as due to an actual scarcity of necessities, and is described as one of a vicious circle of evils which brings other evils in its train—in particular industrial unrest through overpayments and underpayments, and the growth of an adverse balance of indebtedness to foreign countries.

This thesis is pursued to some extent in Part I, which contains eight essays and two book reviews, each reprinted from one of the first five of the journals noted above. A more coherent expression of the author's consistent protest against the government's financial policies is to be found in Part II, which consists of forty-three essays in the order in which they first appeared in the *Scotsman*, at intervals during the period of August, 1914, to July, 1917. Throughout the first three years of the war the papers in the *Scotsman* gave to the critical reader the expression of a strong conviction that emergency financial measures should be as limited as possible, since the benefits of rising prices due to expanding currency are short-lived, and in the end the effects of such prices are prejudicial to the best interests of the masses of the people; and since, when "the inevitable fall in prices" comes, the burden of the debt will be so much the greater. They contain frequently repeated appeals for greater economy in the use of wealth, and protests against public and private extravagance.

The major portion of the second part of the volume stands as a penetrating contemporary critique of British financial policy, by an observer who ranks as an economist of international repute. The unity of this section is scarcely harmed by the introduction of papers on national prohibition and the probability of the entrance of the United States into the war on moral grounds. It is unfortunate, however, that Part I, which covers such diverse subjects as "The Statistical Aspects of Inflation" and "Germany's Economic Miscalculations," and includes a review of Naumann's *Mitteleuropa*, should have been incorporated in the same volume. Furthermore the introductory critical discussion of recent formulations of the quantity theory of money serves to becloud rather than to explain the author's subsequent definiteness of statement with regard to the effects of inflation.

ALZADA COMSTOCK

MOUNT HOLYOKE COLLEGE